



State of Idaho

Legislative Services Office

Individual Entity Audit Report

A communication to the Joint Finance-Appropriations Committee

IDAHO MINT COMMISSION

FY 2006 and 2007

Report OP99807
Date Issued: May 1, 2008

Serving Idaho's Citizen Legislature

FOREWORD

PURPOSE OF AUDIT REPORT

Our fiscal/compliance audit of the Idaho Mint Commission was made to determine:

1. The adequacy and accuracy of the fiscal records and the reliability of the internal control system in order to issue an opinion on the fairness of the Commission's financial statements.
2. The degree of compliance with various State laws, rules, and regulations affecting the fiscal operations of the Commission.
3. The areas in the financial operations that could be improved.

SCOPE OF AUDIT

We examined the financial operations of the Commission for the fiscal years ended June 30, 2006 and 2007.

The audit was performed in accordance with auditing standards generally accepted in the United States of America and the fiscal/compliance section of the *Government Auditing Standards* published by the Comptroller General of the United States.

Information contained in this report was gathered from accounting and administrative records. We also interviewed Commission personnel.

AUDIT AUTHORIZATION

Reported to the Joint Finance-Appropriations Committee as directed by the Legislative Council of the Idaho Legislature, authorized by Idaho Code, Section 67-429.

ASSIGNED STAFF

Darren Uranga, CPA, Staff Auditor

ADMINISTRATION AND TECHNICAL REVIEW

Don H. Berg, CGFM, Manager, Legislative Audits Division
Eugene Sparks, CPA, CGFM, Managing Auditor

TABLE OF CONTENTS

Executive Summary	1
Agency Response	3
Independent Auditor's Report – Unqualified Opinion on Basic Financial Statements	4
Statement of Net Assets	6
Statement of Activities	7
Balance Sheet – Governmental Fund and Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets	8
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund, and Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	9
Notes to Financial Statements	10
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	13
Appendix	15



EXECUTIVE SUMMARY LEGISLATIVE AUDITS

IDAHO MINT COMMISSION

PURPOSE AND SCOPE – We have audited the financial statements of the Idaho Mint Commission for the fiscal years ended June 30, 2006 and 2007, in accordance with auditing standards generally accepted in the United States of America. The purpose of our audit is to determine whether the Commission's financial statements are materially accurate and reliable, and that the Commission complied with laws and regulations affecting fiscal operations.

CONCLUSION – We conclude that the Commission's financial statements are materially accurate and reliable, and fiscal operations materially comply with related laws and regulations. As a result, we issued an unqualified opinion on the Commission's financial statements.

FINDINGS AND RECOMMENDATIONS – There are no findings and recommendations in this report or the prior report.

AGENCY RESPONSE – The Commission has reviewed the report and is in general agreement with its contents.

FINANCIAL SUMMARY – The Commission is primarily funded by a five-cent per pound of essential mint oil sold through the primary trade channels in Idaho.

IDAHO MINT COMMISSION – FINANCIAL STATEMENTS

BALANCE SHEET

	<u>June 30, 2007 General Fund</u>
ASSETS	
Cash	\$3,269
Investments	68,911
Assessments Receivable	<u>723</u>
Total Assets	<u>\$72,903</u>
 Fund Balance	
Unreserved and Undesignated Fund Balance	<u>\$72,903</u>
Total Liabilities and Fund Balance	<u><u>\$72,903</u></u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

	<u>June 30, 2007</u>
REVENUES	
Mint Assessments	\$76,395
Mint Industry Research Council Grant	3,264
Interest	4,240
Other	<u>1,352</u>
Total Revenues	<u>\$85,251</u>
EXPENDITURES	
Mint Industry Research Council Assessments	\$44,522
Research	46,630
Promotion and Special Projects	22,420
Administrative Expenses	<u>\$21,672</u>
Total Expenditures	<u>\$135,244</u>
Excess (Deficiency) of Revenues	
Over Expenditures – Net Change in Fund Balance	(\$49,993)
Beginning Fund Balance	<u>\$122,896</u>
Ending Fund Balance	<u><u>\$72,903</u></u>

OTHER ISSUES – We discussed other matters with the Commission which, if addressed, would improve internal control, compliance, and efficiency.

This report is intended solely for the information and use of the Idaho Mint Commission and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the administrator, Roger Batt, and his staff.

QUESTIONS CONCERNING THIS AUDIT SHOULD BE DIRECTED TO:

Don H. Berg, CGFM, Manager, Legislative Audits Division
Eugene Sparks, CPA, CGFM, Managing Auditor

AGENCY RESPONSE

IDAHO MINT COMMISSION

April 15, 2008

Darren Uranga
Legislative Audits
Statehouse - East Lower Level
Boise ID 83720


Dear Mr. Uranga

This letter is in response to the audit for the Idaho Mint Commission for the fiscal years of 2006 and 2007. Mr. Ray Ineck, Managing Auditor and you have been most helpful in reviewing our financial records and supporting materials.

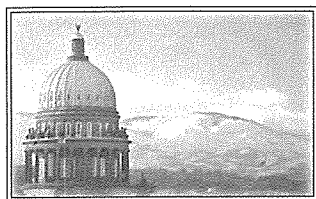
The audit report that was covered with your staff on April 15, will be reviewed in detail with our Commission members. Internal action will be taken to make any adjustments in our procedures to provide a clearer picture of financial items related to the Commission.

Your staff's patience with our winter schedule was very much appreciated. We felt the audit procedures and reporting was done accurately, professionally and with high creditability. We extend our gratitude to the quality staff you have serving in the Legislative Audit Division.

Respectfully



Roger Batt
Administrator



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

April 17, 2008

Unqualified Opinion on
Basic Financial Statements

Independent Auditor's Report

Roger Batt, Administrator
Idaho Mint Commission
55 Southwest 5th Avenue, Suite 100
Meridian, ID 83642

Dave Dixon, Chair
Idaho Mint Commission
21054 Tucker Road
Greenleaf, ID 83626

Dear Mr. Batt and Mr. Dixon:

We have audited the accompanying financial statements of the governmental activities and the special revenue fund of the Idaho Mint Commission as of and for the years ended June 30, 2006 and 2007, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the special revenue fund of the Commission as of June 30, 2006 and 2007, and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2008, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered when assessing the results of our audit.

Mike Nugent, Manager
Research & Legislation

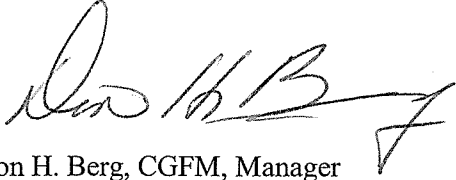
Cathy Holland-Smith, Manager
Budget & Policy Analysis

Don H. Berg, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

The Commission has not presented the Management Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Sincerely,

A handwritten signature in dark ink, appearing to read "Don H. Berg", with a stylized flourish at the end.

Don H. Berg, CGFM, Manager
Legislative Audits Division

STATE OF IDAHO
IDAHO MINT COMMISSION
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2006 AND 2007

	June 30, 2006 Governmental Activities	June 30, 2007 Governmental Activities
ASSETS		
Cash	\$24,860	\$3,269
Investments	97,684	68,911
Assessments Receivable	352	723
Total Assets	<u>\$122,896</u>	<u>\$72,903</u>
NET ASSETS		
Unrestricted	<u>\$122,896</u>	<u>\$72,903</u>
Total Net Assets	<u><u>\$122,896</u></u>	<u><u>\$72,903</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
IDAHO MINT COMMISSION
STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2006 AND 2007

FOR THE YEAR ENDED JUNE 30, 2006

Function/Programs	Expenses	Charges for Services	Net (Expenses) Revenues and Changes in Net Assets Governmental Activities
Mint Industry Research Council Assessments	\$41,655	\$0	(\$41,655)
Research	40,316	0	(40,316)
Promotion and Special Projects	13,802	0	(13,802)
Administrative Expenses	21,951	0	(21,951)
Total Governmental Activities	<u>\$117,724</u>	<u>\$0</u>	<u>(\$117,724)</u>
General Revenues:			
Mint Assessments			\$106,820
Mint Industry Research Council Grant			6,697
Interest			3,354
Other			1,550
Total General Revenues			<u>\$118,421</u>
Change in Net Assets			\$697
Beginning Net Assets - As Restated			<u>\$122,199</u>
Ending Net Assets			<u>\$122,896</u>

FOR THE YEAR ENDED JUNE 30, 2007

Function/Programs	Expenses	Charges for Services	Net (Expenses) Revenues and Changes in Net Assets Governmental Activities
Mint Industry Research Council Assessments	\$44,522	\$0	(\$44,522)
Research	46,630	0	(46,630)
Promotion and Special Projects	22,420	0	(22,420)
Administrative Expenses	21,672	0	(21,672)
Total Governmental Activities	<u>\$135,244</u>	<u>\$0</u>	<u>(\$135,244)</u>
General Revenues:			
Mint Assessments			\$76,395
Mint Industry Research Council Grant			3,264
Interest			4,240
Other			1,352
Total General Revenues			<u>\$85,251</u>
Change in Net Assets			(\$49,993)
Beginning Net Assets			<u>\$122,896</u>
Ending Net Assets			<u>\$72,903</u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
IDAHO MINT COMMISSION
BALANCE SHEET
GOVERNMENTAL FUND
AS OF JUNE 30, 2006 AND 2007

	<u>June 30, 2006</u>	<u>June 30, 2007</u>
	<u>Special Revenue</u>	<u>Special Revenue</u>
	<u>Fund</u>	<u>Fund</u>
ASSETS		
Cash	\$24,860	\$3,269
Investments	97,684	68,911
Assessments Receivable	352	723
Total Assets	<u>\$122,896</u>	<u>\$72,903</u>
Fund Balance		
Unreserved and Undesignated Fund Balance	<u>\$122,896</u>	<u>\$72,903</u>
Total Liabilities and Fund Balance	<u>\$122,896</u>	<u>\$72,903</u>

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO STATEMENT OF NET ASSETS

	<u>FY 2006</u>	<u>FY 2007</u>
Total Fund Balance for Governmental Funds	\$122,896	\$72,903
Amounts reported for governmental activities in the Statement of Net Assets because:		
There are no reconciling differences	<u>0</u>	<u>0</u>
Net Assets of Governmental Activities	<u>\$122,896</u>	<u>\$72,903</u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
IDAHO MINT COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2006 AND 2007

	FY 2006	FY 2007
	Special	Special
	Revenue Fund	Revenue Fund
REVENUES		
Mint Assessments	\$106,820	\$76,395
Mint Industry Research Council Grant	6,697	3,264
Interest	3,354	4,240
Other	1,550	1,352
Total Revenues	<u>\$118,421</u>	<u>\$85,251</u>
EXPENDITURES		
Mint Industry Research Council Assessments	\$41,655	\$44,522
Research	40,316	46,630
Promotion and Special Projects	13,802	22,420
Administrative Expenses	21,951	21,672
Total Expenditures	<u>\$117,724</u>	<u>\$135,244</u>
Excess (Deficiency) of Revenues		
Over Expenditures - Net Change in Fund Balance	\$697	(\$49,993)
Beginning Fund Balance	<u>\$122,199</u>	<u>\$122,896</u>
Ending Fund Balance	<u><u>\$122,896</u></u>	<u><u>\$72,903</u></u>

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO
THE STATEMENT OF ACTIVITIES

	FY 2006	FY 2007
Net Change in Fund Balances - Government Funds	\$697	(\$49,993)
Amounts reported for governmental activities in the Statement of Activities are different because:		
There are no reconciling differences	<u>0</u>	<u>0</u>
Change in Net Assets of Government Activities	<u><u>\$697</u></u>	<u><u>(\$49,993)</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE #1

SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY

The financial statements of the Idaho Mint Commission have been prepared in conformity with United States generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

BASIS OF PRESENTATION

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities report all activities of the Commission as governmental activities. These activities are financed primarily by the mint tax collected on mint oil sold through the primary market in Idaho.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Commission. Direct expenses are those specifically associated with a function and, therefore, are clearly identifiable to a particular function. Program revenues include fees and charges paid by recipients for goods or services offered by the program. Revenues not classified as program revenues are presented as general revenue. The Commission has no program revenues.

Fund Financial Statements

The fund financial statements provide information about the Commission's Special Revenue Fund, and differ from government-wide financial statements as explained below.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities are presented on the statement of net assets. Revenues are recorded when earned, and

expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, only current assets and current liabilities are generally included on the balance sheet. Revenues are recognized when measurable and available. The Commission considers all revenues reported in the Special Revenue Fund to be available if the revenues are collected within 60 days following year-end. Mint tax assessments and interest are considered to be susceptible to accrual. Expenditures are recorded when the related liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds. The Commission did not acquire any capital assets in fiscal year 2006 or fiscal year 2007.

BUDGETS AND BUDGETARY ACCOUNTING

The Commission adopts an annual budget on a cash basis. Idaho Code, Section 22-3811, provides the Commission with a continuous appropriation, therefore, spending authority is not limited by the legislature.

OTHER

Refunds received are credited to the original expenditure classification.

The Commission has determined that any items under \$200 are not material and, therefore, will not be accrued.

The Commission does not have any employees. All administrative activities are contracted.

NOTE #2

CASH AND INVESTMENTS

The ending cash balances at June 30, 2006 and 2007, consist of checking deposits of \$24,860 and \$3,269, respectively, that are insured by the Federal Deposit Insurance Corporation (FDIC).

The Commission participates in the Local Government Investment Pool, an unrated external investment pool sponsored by the Idaho State Treasurer's Office. A copy of the State's *Comprehensive Annual Financial Report (CAFR)*, including the investment pool's financial statements, is available from the Office of the State Controller, Bureau of Reporting and Review, P.O. Box 83720, Boise, Idaho 83720-0011.

Interest Rate Risk

The following schedule represents the Commission's investment in the external investment pool and a distribution of the pool's maturities at June 30, 2006 and 2007:

	<u>Fair Value</u>	<u>Maturity</u>
June 30, 2006		
Investment in External Investment Pool	\$97,498	Less than 1 year
June 30, 2007		
Investment in External Investment Pool	69,153	Less than 1 year

NOTE #3

MINT TAX ASSESSMENT

During fiscal year 2006, the mint tax assessment was 6¢ per pound of essential mint oil sold through primary trade channels in Idaho. For fiscal year 2007, the Commission approved to lower the mint assessment to 5¢ per pound of essential mint oil sold.

NOTE #4

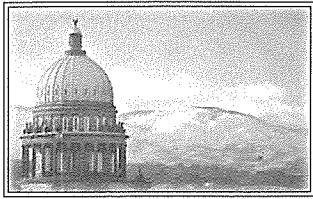
MINT INDUSTRY RESEARCH COUNCIL

The Commission pays a portion of its mint assessments (2½¢ per pound) to the Mint Industry Research Council (MIRC), a national research organization. Most of the assessment is used for research, the results of which are shared with the Commission. The Commission receives part of this money back in the form of MIRC research grants.

NOTE #5

PRIOR PERIOD ADJUSTMENT

Idaho Code, Section 22-3813 requires every person acting as a dealer to file a written application with the Commission for a license. Each license applicant must submit a bond in the amount of \$2,000, executed by the applicant and a surety company. In fiscal year 1995, a \$2,000 cash in lieu of bond was received as a cash deposit held in lieu of the surety bond. The Commission no longer has a record of this bond, therefore, the necessary adjustments have been made to the financial statements.



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

April 17, 2008

Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance
With Government Auditing Standards

Roger Batt, Administrator
Idaho Mint Commission
55 Southwest 5th Avenue, Suite 100
Meridian, ID 83642

Dave Dixon, Chair
Idaho Mint Commission
21054 Tucker Road
Greenleaf, ID 83626

Dear Mr. Batt and Mr. Dixon:

We have audited the financial statements of the Idaho Mint Commission as of and for the years ended June 30, 2006 and 2007, and have issued our report thereon dated April 17, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph, and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably, in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control. We consider the deficiencies described below to be significant deficiencies in internal control.

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis 13

Don H. Berg, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

Statehouse, P.O. Box 83720
Boise, Idaho 83720-0054

Tel: 208-334-2475
www.legislature.idaho.gov

- 2007-01** Government Auditing Standards place the responsibilities on management for the preparation of the comprehensive financial statements and notes for the audit report. The Commission does not have an internal control system designed to provide for the preparation of the comprehensive financial statements being audited. As auditors, we were requested to draft the comprehensive financial statements and notes from the Commission's accounting system. This circumstance is not unusual for an entity the size of the Commission. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.
- 2007-02** Idaho Code, Section 22-3813 requires every person acting as a dealer to file a written application with the Commission for a license, accompanied by a good and sufficient surety bond in the amount of \$2,000. In the prior audited financial statements, the Commission had a \$2,000 liability for cash that was received in lieu of bond. However, the Commission can no longer confirm this liability and, therefore, a prior period adjustment to the financial statements was required.
- 2007-03** Accounting duties are not adequately segregated due to limited staff within the entity. In order to mitigate the effects of this situation, we recommend that the administrator receive and review the monthly bank statements and canceled checks, and review the completed bank reconciliations.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Commission's internal control. These significant deficiencies are not classified as material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Idaho Mint Commission and the Idaho Legislature and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in dark ink, appearing to read "Don H. Berg", with a stylized flourish at the end.

Don H. Berg, CGFM, Manager
Legislative Audits Division

APPENDIX

HISTORY

The Idaho Mint Commission was created in 1969 by Senate Bill 1064. Statutory authority for the Commission is found in Idaho Code Title 22, Chapter 38, known as the "Mint Industry Act."

ORGANIZATION

The Commission comprises seven members, six growers and one industry representative. The Commission contracts for administrative and bookkeeping services.

PURPOSE

The overall purpose of the Commission is to improve the production of and expand the market for mint and essential oils grown in Idaho.

FUNDING

The Commission is funded by an assessment of 5¢ per pound of essential mint oil sold in Idaho. The Commission collects the tax as the mint enters the primary channels of trade.